

TEACHERS' RETIREMENT BOARD  
INVESTMENT COMMITTEE

SUBJECT: Alternative Investments  
Activity Status Report

ITEM NUMBER: 14

ATTACHMENT(S): 1

ACTION: \_\_\_\_\_

DATE OF MEETING: March 8, 2000

INFORMATION: X

PRESENTER(S): Mr. Desrochers

The table below contains Alternative Investment activity for the month of January 2000 and historical information for selected time periods.

	Month Ended 1/31/00	Fiscal Year To Date	Past One Year	Past Three Years	Past Five Years
<u>Commitments:</u>					
Partnerships	\$ 50,000,000	\$ 760,000,000	\$ 1,107,625,000	\$ 3,390,837,813	\$ 4,489,676,939
Co-Investments	0	24,999,996	24,999,996	24,999,996	71,999,996
Secondaries	0	70,773,417	80,067,245	80,067,245	80,067,245
	<b>\$ 50,000,000</b>	<b>\$ 855,773,413</b>	<b>\$ 1,212,692,241</b>	<b>\$ 3,495,905,054</b>	<b>\$ 4,641,744,180</b>
<u>Contributions:</u>					
Partnerships	\$ 171,302,823	\$ 766,545,235	\$ 1,098,048,039	\$ 2,217,653,655	\$ 2,770,014,229
Co-Investments	23	25,666,685	25,666,685	25,666,685	72,666,685
Secondaries	-	57,872,402	65,634,231	65,634,231	65,984,231
Mgmt. Fee (Outside)	1,325,217	5,017,301	9,412,479	25,600,052	32,223,186
	<b>\$ 172,628,063</b>	<b>\$ 855,101,623</b>	<b>\$ 1,198,761,434</b>	<b>\$ 2,334,554,623</b>	<b>\$ 2,940,888,331</b>
<u>Distributions:</u>					
Cash	\$ 28,295,932	\$ 280,158,373	\$ 415,399,400	\$ 1,102,558,238	\$ 1,431,422,639
Stock	95,397,829	428,172,577	563,431,115	766,167,676	943,366,183
	<b>\$ 123,693,761</b>	<b>\$ 708,330,950</b>	<b>\$ 978,830,515</b>	<b>\$ 1,868,725,914</b>	<b>\$ 2,374,788,822</b>
Stock Sales	\$ 194,526,022	\$ 411,203,652	\$ 528,177,575	\$ 710,269,583	\$ 867,729,175

Attachment 1 provides an executive summary of action taken under delegation of authority for a commitment of \$45 million to Alta Communications VIII. CalSTRS' commitment is subject to the successful negotiation of partnership terms and legal review.

Alternative Investments

EXECUTIVE SUMMARY OF ACTION TAKEN  
UNDER DELEGATION OF AUTHORITY  
ALTA COMMUNICATIONS VIII

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Action: Commit \$45 million to Alta Communications VIII which represents 10% of the total capitalization of the fund.

Background: Alta Communications was founded in 1996 by Brian McNeill, Tim Dibble, Bill Egan, and Bob Benbow. This group was formerly the communications team of Burr, Egan, Deleage & Co. (BEDCo). Collectively, they have over 80 years of investment experience in the communications industry, and have worked together for over a decade. From 1980 to 1999, the General Partners have over 100 investments totaling approximately \$600 million across a broad spectrum of companies in each of the firm's targeted areas. In aggregate, these investments have generated a gross annualized return of 30%. This IRR was achieved through both buoyant and depressed economic times and media asset valuations.

CalSTRS is an investor in three previous Alta funds. CalSTRS committed \$20 million to Alta V which was raised in 1992 by the BEDCo team. In 1996, the founding General Partners split from the BEDCo team to establish Alta Communications, Inc. This group subsequently raised Alta Communications VI and Alta Communications VII in which CalSTRS committed \$20 million and \$30 million, respectively.

Analysis: Alta Communications VIII qualifies as a follow-on fund as identified in the Alternative Investments' policies.

The investment strategy for Alta Communications VIII is similar to the strategy used for investing the previous Alta Funds. As a team, Alta maintains a valuable and proprietary franchise position in the media, communications, and telecommunications industries. Alta Communications VIII will be a specialized fund but with significant diversification across a broad range of industry segments, including traditional media (radio, TV, cable, etc.), telecommunications (ILEC, CLEC, ICP, wireless, etc.) and Internet/data services (hosting, co-location, ISP, etc.). Alta's investment strategy is to take advantage of their deal flow by investing in compelling opportunities in industries that they know well. Alta will focus on regulatory or structural barriers to entry, dramatic changes in technology, and markets that are large and worldwide. Alta tends to be a lead investor in early stage companies, and specializes in small- to medium-sized deals.

Investment Thesis: Staff is recommending an investment in Alta Communications VIII for the following reasons:

- Staff has identified Alta Communications as a Tier 1 Manager.
- The Alta funds consistently generate excellent investment returns.
- Co-investment opportunities will be offered with no fees and no carried interest.
- Alta's venture capital strategy is consistent with the targets and ranges which have been approved by the Investment Committee to invest 16% of the Alternative Investment portfolio in venture capital limited partnerships.
- The Alta investment strategy provides a good fit in the CalSTRS portfolio. There is very little overlap with CalSTRS' other venture capital partnerships.
- Staff has received a positive investment recommendation from Pathway Capital Management.

Policy Compliance: This decision complies with the portfolio's policies and procedures, which were approved by the Investment Committee on June 3, 1998. A positive written recommendation by the Alternative Investment's advisor and CalSTRS' staff has been documented. This resulted after an investment analysis and due diligence was conducted in the manner as previously reviewed and approved by the Investment Committee.

Recommendation: Staff recommends that CalSTRS commit \$45 million to Alta Communications VIII. CalSTRS' commitment is subject to the successful negotiation of partnership terms and legal review.

By:

\_\_\_\_\_  
Trish Taniguchi  
Investment Officer

Date\_\_\_\_\_

Recommended By:

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Réal Desrochers  
Director of Alternative Investments

Date\_\_\_\_\_

Approved:

\_\_\_\_\_  
Patrick Mitchell  
Chief Investment Officer

Date\_\_\_\_\_